

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6945**

**BILL NUMBER:** SB 531

**NOTE PREPARED:** Feb 8, 2013

**BILL AMENDED:** Feb 7, 2013

**SUBJECT:** Property tax assessments and appeals.

**FIRST AUTHOR:** Sen. Eckerty

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1st House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Agricultural Land Assessments*: This bill provides that land is to be assessed as agricultural if the land could be devoted to agricultural use (if not zoned for industrial, commercial, or residential use) or if a building or other real property improvement that is devoted to agricultural purposes is located on the land. The bill provides that land that is zoned for (instead of purchased for) residential, commercial, or industrial use is not to be assessed as agricultural land unless the land is devoted to agricultural use.

*Right of Way*: The bill provides that for land that is being used for various right of way purposes, the value is to be subtracted from the assessed value of a parcel without any action having to be taken by the property owner.

*Taxpayer Representatives*: This bill provides that the Department of Local Government Finance (DLGF) rules concerning tax representatives may not restrict a residential property owner who is an individual from appointing another individual as an agent to act on the owner's behalf in a property tax appeal to the property tax assessment board of appeals (PTABOA) so long as the agent serves without payment of any consideration.

The bill also repeals an outdated property tax appeal deadline law.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:**

## **Explanation of State Revenues:**

## **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) *Summary - Agricultural Land Assessments:* The reclassifications of some property either to or from farmland would change the assessments for this property as well as the circuit breaker cap beginning with taxes payable in CY 2015.

Real property parcel and land records were analyzed to estimate the impact of the provision that would assess land as farmland if it *could* be devoted to agricultural use. Changes to assessments were made only to land not currently assessed as farmland on parcels with a predominant agricultural use. Home sites were not changed.

Land with an assessed value (AV) of about \$203 M was reassessed as farmland with a resulting AV of about \$54 M, reducing total AV by \$149 M. As a result, net tax on that land would be reduced by about \$3.4 M. About \$2.3 M would be shifted to other property and \$700,000 would be lost to circuit breakers. Cumulative fund levies would be reduced by about \$400,000.

The \$2.3 M shift includes \$1.1 M that would be shifted to surrounding farmland. So, the net tax reduction for agricultural property would be about \$2.3 M and the shift to non-agricultural property is estimated at \$1.2 M.

*Background:* Currently, farmland assessments begin with the base rate per acre, which is \$1,630 for taxes payable in 2013. The base rate is then adjusted by the soil productivity factor and influence factors to calculate the assessed value for a particular parcel. Farmland qualifies for the 2% circuit breaker cap. Land qualifies as farmland only when it is devoted to agricultural use. Land purchased for other uses does not qualify. This bill would make several changes to the qualifications for farmland assessment.

Devotion to agricultural use. Under this bill, farmland would also include land that *could be* devoted to agricultural use. Most land that is part of a parcel that has a predominant agricultural use would be assessed as agricultural land under the bill. One noted exception would be a homesite which would still be assessed as residential land.

Land with Agricultural Buildings. The bill also requires an agricultural land assessment even when there is an agricultural building or improvement upon it. Under current DLGF assessment guidelines, land with an agricultural building upon it is already assessed as agricultural land so this provision should have no impact.

Zoning: If land is not devoted to agricultural use, the bill would prohibit the assessment of land as farmland if the property is zoned for other uses.

These provisions would potentially increase the amount of land assessed as farmland for properties zoned as agricultural and would eliminate the assessment as farmland for properties not zoned as agricultural if they are not devoted to an agricultural use. Land that newly qualifies as farmland would be subject to the 2% circuit breaker cap while most disqualified land would probably be subject to the 3% cap.

*Taxpayer Representatives:* Under current DLGF rules, a taxpayer representative in a property tax appeal must be certified by the DLGF. Under this bill, the rule could not restrict an individual residential property owner from appointing any other individual, without compensation, to act as an agent in an appeal. This provision could encourage additional appeals.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Local assessors; Local civil taxing units and school corporations.

**Information Sources:** LSA parcel-level property tax database; Barry Wood, Department of Local Government Finance, 317-232-3777.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.